


Regular Meeting

Agenda Item #	4
Meeting Date	September 26, 2005
Prepared By	Linda Walker - Affordable Housing Manager
Approved By	Barbara B. Matthews City Manager 

Discussion Item	Resolution to adopt Tenant Opportunity to Purchase Revolving Loan Fund
Background	<p>The 2005 Affordable Housing Policy and Action Plan, adopted by Council on July 11, 2005, established priorities to expand the availability of affordable housing options in the community and outlined goals that support home ownership opportunities for tenants in Takoma Park. The revolving loan fund is a program that would assist tenant associations with the initial pre-development costs of condominium/cooperative conversion, as they exercise their rights to purchase their rental properties under the Tenant Opportunity to Purchase law (Chapter 6.32)</p> <p>A Worksession regarding the proposed revolving loan fund was held on September 19, 2005. One of the issues discussed by the Council was the appropriate income level requirement for tenants registered in the tenant association. As originally proposed by staff, the income level requirement would have been set at 50% of the State of Maryland median income. Based on the Council's discussion, the proposed program guidelines would require that 50% of the tenants registered in the tenant association must have income levels of less than or equal to 80% of the State of Maryland median income.</p> <p>The Council also discussed requiring a certain percentage of the units to be sold to tenants having an income of 80% of the median income. After further discussion with our tenant capacity builders, this section was deleted from the eligibility requirements outlined in the program guidelines. This requirement was determined to be too restrictive and would probably hinder a tenant association's ability to secure a contract with a developer.</p> <p>At the Worksession, the Council requested additional information regarding predevelopment cost. Additional research by staff shows that for a rental property with 7-20 units, the average pre-development costs would occur in the following sequence and have the approximate costs: attorney retainer - \$1,000-\$2000; preliminary engineering inspection - \$2,500-\$3,000; technical assistance - \$300-\$500; appraisal - \$5,000; detailed design and inspection report (often required to obtain financing)- \$10,000 - \$15,000; survey - \$1,000; title abstract search - \$1,500; termite inspection - \$300, for a total of approximately \$21,600 - \$28,300.</p>
Policy	<p>"(To) provide affordable home ownership opportunities throughout the city"</p> <p><i>The 2005 Affordable Housing Policy and Action Plan (July 2005)</i></p>
Fiscal Impact	The City's FY06 budget includes a total of \$25,000 for undesignated affordable housing programming such as the revolving loan fund. These funds will be used to leverage additional State financing through programs such as the Community Legacy Program.
Attachments	<p>Resolution</p> <p>Draft Program Guidelines</p>
Recommendation	Adopt Resolution for Tenant Opportunity to Purchase Revolving Loan Fund

Introduced by:

RESOLUTION #2005 -

Tenant Opportunity to Purchase Revolving Loan Fund

WHEREAS, the City of Takoma Park reaffirmed its commitment to affordable rental housing and home ownership with the adoption of the 2005 Affordable Housing Policy and Action Plan on July 11, 2005;

WHEREAS, one of the affordable housing goals identified in the Policy and Action Plan is to support efforts of tenant associations when they exercise their rights to purchase their rental properties under Chapter 6.32 of the Takoma Park Code (Tenant Opportunity to Purchase law); and

WHEREAS, there exists a need to assist certified tenant associations with the pre-development costs incurred by the tenant association during the initial stages of conversion of rental properties to condominiums or cooperatives; and

WHEREAS, the City has budgeted \$25,000 for affordable housing programming; and

WHEREAS, guidelines for the Tenant Opportunity to Purchase Revolving Loan Fund have been developed and the program has been found to be an appropriate use of dedicated affordable housing funding; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND that the Tenant Opportunity to Purchase Revolving Loan Fund is hereby established.

BE IT FURTHER RESOLVED that the Tenant Opportunity to Purchase Revolving Loan Fund is to be administered by the City Manager and his or her designee in accordance with the attached guidelines.

Adopted this _____ day of _____

ATTEST:

Jessie Carpenter, City Clerk

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Program Guidelines

Tenant Opportunity to Purchase Revolving Loan Fund

Background

The Tenant Opportunity to Purchase Revolving Loan Fund is a fund that was created in FY06 and was initially funded through the City of Takoma Park's general budget (\$25,000). Additional grants and loans, applied for by Housing and Community Development supplement the total amount available for this program.

Program Goals and Objectives

Through its goal of maintaining a diverse and affordable community, Takoma Park City Council established the Tenant Opportunity to Purchase Revolving Loan Fund which can be accessed by tenant associations when they are presented with an opportunity to purchase their rental facilities. By taking advantage of their rights under the Tenant Opportunity to Purchase Law (Chapter 6.32 of the Takoma Park Code), the opportunity of affordable home ownership continues to exist despite the rising costs of housing in Montgomery County. Qualified tenant associations that are interested in converting their rental facilities to condominiums/cooperatives may apply for a loan at the earliest stage of the tenant association's formation. The loan is provided as a means to access funds that can be used to pay for immediate pre-development cost

Funds Availability

The maximum loan amount is 50% of the available fund balance, not to exceed \$25,000 with a 0% interest rate. Loans are awarded on a first come, first serve basis. The notification of the "offer of sale (Section 6.32.040) must be received by the City of Takoma Park prior to the application being processed. Funds may be dispersed on a graduated basis for specific approved pre-development costs as they are incurred by the tenant association.

Eligibility

1. Rental properties must be located within the City of Takoma Park and have seven (7) or more licensed rental units.
2. The tenant association representing the property for sale must be certified by the City of Takoma Park and represent at least 1/3 of the occupied rental units in the rental facility (see attached certification form).
3. Fifty (50%) percent of the tenants registered in the tenant association must have income levels of less than or equal to 80% of the State of Maryland medium income (Washington, DC PMSA - See attached chart)

Eligible Uses of Funds

Funds are to be used for pre-development expenses. Examples include, but are not limited to:

- Attorney Fees
- Appraisal
- Design and Engineering inspection
- Technical assistance (developer's fee, credit counseling, etc.)
- Earnest money deposit
- Title Abstract/Search
- Survey
- Termite Inspection

Bills will be paid from the account to the designated vendors when invoices describing the services rendered are received from the designated representative(s) of the tenant association. Payment will be made to the vendor within 15 days of the date that the City receives an invoice.

Loan Repayment

Repayment of the loan in full to the City of Takoma Park will take place at the time of settlement of the property which should occur no later than 10 months from the date of the notice of an "Offer of Sale" to the tenants. An extension of time will be granted if settlement has not taken place by that date and for good cause. Request for an extension must be filed no later than two weeks prior to that date.

If the tenant association decides that purchase and conversion of the property is not feasible or desirable, a letter informing the City of Takoma Park of such decision should be filed immediately with the City representative of the Tenant Opportunity to Purchase Assistance Account. The loan will only be forgiven if notification that the tenant association will not be acquiring the property is received by the City of Takoma Park. Any expenses acquired up to this date will be paid by the City of Takoma Park, as long as there are funds remaining in the tenant association's account.

Application Procedures

Applicants (tenant associations) must answer all questions and complete each form supplied in this package. Review of the application will take place within 2 weeks of submission. A letter advising of the status of the application will be sent to the tenants' association. If approved, an account will be set up in the name of the Tenant Association.

For more information, please contact the City of Takoma Park's Housing Department
7500 Maple Avenue, Takoma Park MD 20912 or by phone at 301.891.7222.

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Application for Tenant Opportunity to Purchase Revolving Loan Fund

A. Borrower Information:

Name of Tenant Association: _____

Property Address: _____

Designated Representative: _____

Mailing Address: _____

Telephone Number (Days) _____ (Cell) _____

Fax Number _____ E-mail _____

Legal Representative (if applicable): _____

Mailing Address: _____

Telephone Number (Days) _____ (Cell) _____

Fax Number _____ E-mail _____

B. Qualifications

- a. Total number of rental units in building(s) _____
- b. Number of rental units represented by Tenant's Association _____
- c. Number of income eligible households as defined in guidelines _____
- d. Date written offer of sale of property received by tenants _____

C. Scope of Project

Please give a brief summary of the goals of the Tenant Association in regard to the purchase of the property and the time frame for purchase (additional pages may be attached).

D. Loan Request

Amount of Requested Loan: \$ _____

Proposed use of loan funds and estimated cost:

Attorney Fees	\$ _____
Developer Fee	\$ _____
Appraisal	\$ _____
Engineering inspection	\$ _____
Technical assistance (i.e. credit counseling)	\$ _____
Earnest money deposit	\$ _____
Title Abstract/Search	\$ _____
Survey	\$ _____
Termite Inspection	\$ _____

E. Required Attachments

The following documentation is required and must be included with the application.

- a. Copy of registration form for Tenant’s Association _____
- b. Copies of completed income eligibility forms _____
- c. Copy of property owner’s written offer of sale _____

For Office Use Only:

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Tenant Association Registration

Name of Tenant Association: _____

Date of Incorporation _____ Partnership _____ Not Applicable _____

Address of Property: _____

Primary Contact Information:

Name of contact: _____

Mailing Address: _____

Telephone Number: Days _____ Cell _____

Total Number of Rental Units in Building(s) _____

Total Number of Occupied Rental Units* _____

(*) A minimum of 1/3 of the occupied rental units must be members of the Tenant Association for certification purposes

If the tenants are forming a Tenants Association because they have received a written offer of sale of the rental property from the current property owner, please note the date the offer was received by the tenants: _____ (Please attach a copy of the notice)

If tenants have not received a written offer of sale of the rental property, are you forming a tenants' association because of another issue? Yes _____ No _____

Please describe any issues the Tenant Association plans to address:

Please attach a listing of the members of the Tenants Association and its officers using the accompanying form. Members of the Tenants Association must be the signer of the last lease given to the tenant by the owner/agent. The listing must include the name of the tenant, their signature, the number of the unit they rent, and, in cases where more than one building is located on the property, the number of the building.

For more information, please contact the City of Takoma Park's Housing Department
7500 Maple Avenue, Takoma Park MD 20912 or by phone at 301.891.7222.

Name of Tenant Association: _____

TENANT ASSOCIATION MEMBERSHIP LISTING

By signing this form, I agree to be included as a member of the Tenant Association and certify that I reside in the identified rental unit with the consent of the landlord and have an obligation to pay rent to the landlord for the use of the unit. Please note that City Code Chapter 6.32.110 requires that the Tenant Association must represent a minimum of 1/3 of the occupied rental units as of the time of the registration of the association.

Building No.	Unit No.	Name of Tenant (Please Print)	Signature of Tenant	Phone Number

Name of Tenant Association: _____

TENANT ASSOCIATION LISTING OF OFFICERS

Office (i.e. President, Vice President, Treasurer, Secretary): _____

Name of Officer: _____

Mailing Address: _____

Telephone Number: Days _____ Cell _____

Email Address: _____

Signature of Office Holder: _____

Office (i.e. President, Vice President, Treasurer, Secretary): _____

Name of Officer: _____

Mailing Address: _____

Telephone Number: Days _____ Cell _____

Email Address: _____

Signature of Office Holder: _____

Office (i.e. President, Vice President, Treasurer, Secretary): _____

Name of Officer: _____

Mailing Address: _____

Telephone Number: Days _____ Cell _____

Email Address: _____

Signature of Office Holder: _____

Office (i.e. President, Vice President, Treasurer, Secretary): _____

Name of Officer: _____

Mailing Address: _____

Telephone Number: Days _____ Cell _____

Email Address: _____

Signature of Office Holder: _____